

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7776

BILL NUMBER: HB 1281

DATE PREPARED: Jan 5, 2001

BILL AMENDED:

SUBJECT: Wine Connoisseur's Permit.

FISCAL ANALYST: John Parkey

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes a wine connoisseur's permit. The bill requires the holder of a wine connoisseur's permit to be at least 21 years of age. It establishes an annual \$25 license fee. The bill allows the holder of a permit to do the following:

- (1) Purchase wine in another state and ship the wine to the person's place of residence in Indiana.
- (2) Purchase wine for home delivery to the person's place of residency in Indiana.

The bill prohibits the holder of a wine connoisseur's permit from offering for resale any wine purchased or obtained under this chapter.

The bill requires the holder of a permit to annually report to the Department of State Revenue the dollar amount of any purchase made under the wine connoisseur's permit law.

The bill also establishes a Class A misdemeanor penalty for any violation of the wine connoisseur's permit law.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill could increase the administrative costs of the Alcoholic Beverage Commission. Any additional costs are expected to be absorbed using the Commission's existing staff and resources.

The bill also would require a holder of a wine connoisseur's permit to report the dollar amount of wine purchased under the authority of the permit to the Department of State Revenue. The Department could incur additional expenses related to the development and administration of this requirement. Any additional costs would be covered using the Department's current staff and resources.

Explanation of State Revenues: This bill creates the wine connoisseur permit, a permit that allows holders to make in-state and out-of-state purchases of wine for home delivery. The annual fee for this permit is \$25. It is not known how many Indiana residents would obtain a wine connoisseur's permit. Any revenue generated from the issuance of wine connoisseurs' permits would be deposited in the state General Fund.

Use taxes: Wine purchased out of state for delivery in Indiana would be subject to Indiana's sales and use tax. The sales and use tax is assessed at a rate of 5% of an item's price. This bill's impact on state sales and use tax collections is expected to be negligible. (Under Indiana law, sales taxes paid on the purchase price of an item in another state may be credited against use taxes owed in Indiana.)

Penalty Provision: This bill makes it a Class A misdemeanor to violations related to the wine connoisseur's permit. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Penalty Provision:* A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Alcoholic Beverage Commission; Department of State Revenue.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: